

Message Text

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ACTION EB-08

INFO OCT-01 ISO-00 IO-13 SS-15 SP-02 H-01 L-03 EA-10

INR-10 INRE-00 SSO-00 EUR-12 AF-10 /085 W

-----116948 130737Z /13

O R 130605Z APR 78

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC IMMEDIATE 2975

AMEMBASSY LONDON IMMEDIATE

INFO AMEMBASSY BANGKOK

AMEMBASSY BONN

AMEMBASSY JAKARTA

AMEMBASSY KINSHASA

AMEMBASSY KUALA LUMPUR

AMEMBASSY LAGOS

AMEMBASSY LA PAZ

AMEMBASSY MOSCOW

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

LIMITED OFFICIAL USE SECTION 1 OF 2 CANBERRA 2759

STADIS//////////

E.O. 11652: N/A

TAGS: EMIN, ETRD, ITC, US, AS

SUBJ: AUSTRALIAN VIEWS ON UDALL-DECONCINI BILL

REF: (A) CANBERRA 2582 (B) STATE 73565, (C) STATE 63554

(NOTAL), (D) STATE 58800(NOTAL)

1. FOLLOWING IS TEXT OF MESSAGE SENT BY THE DEPARTMENT OF
TRADE AND RESOURCES (DTR) TO AUSTRALIAN EMBASSY IN WASHINGTON
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CONTAINING DRAFT LETTER FOR ASSISTANT SECRETARY KATZ. AS DTR
NOT SURE WHETHER LETTER HAS BEEN DELIVERED AS YET, EMBASSY
BELIEVES IT WORTHWHILE TRANSMITTING.

2. QUOTE U.S.- STRATEGIC STOCKPILE RELEASE: TIN

QUOTE WE HAVE NOW RECEIVED A LETTER FROM THE U.S. EMBASSY

IN CANBERRA DATED 14 MARCH BUT NOT RECEIVED UNTIL 30 MARCH
DUE TO THE POSTAL STRIKE. ADVISING OF THE
TEXT OF THE UDALL-
DECONCINI BILL. THE LETTER ADVISES THAT THE ADMINISTRATION
HAS AGREED TO SUPPORT THE BILL AND COMMENTS THAT BECAUSE THE
BILL DOES NOT SPECIFY A LIMITED TIME PERIOD FOR THE DISPOSAL
THIS WILL GIVE THE ADMINISTRATION CONSIDERABLE FLEXIBILITY
IN DESIGNING A PROGRAM GEARED TO PROJECTED MARKET CONDITIONS.
THE LETTER ALSO STATES THAT THE INNER QUOTE U.S. IS PREPARED
TO CONSULT WITH TIN PRODUCING COUNTRIES PRIOR TO THE
IMPLEMENTATION OF THE DISPOSAL PROGRAM TO ENSURE THAT
MAXIMUM CARE IS TAKEN TO AVOID DISRUPTION OF THE TIN MARKET.
WE WILL ALSO CONSULT WITH THE INTERNATIONAL TIN COUNCIL AS
CALLED FOR IN THE FIFTH ITA. CONCERNED AGENCIES ARE
ATTEMPTING TO DEVELOP A MEDIUM TERM SALES PROGRAM FOR
CONSIDERATION BY THE ADMINISTRATION WHICH WOULD ASSURE
PRODUCERS THAT THE TIN WOULD BE DISPOSED IN AN ORDERLY
MANNER. END INNER QUOTE.

QUOTE IN VIEW OF THIS LETTER AND HAVING REGARD TO THE
ADVICE IN YOUR WH65397, WE BELIEVE IT IS OPPORTUNE, DESPITE
THE NEW MOVES BY THE HART COMMITTEE TO CONSOLIDATE THE EIGHT
BILLS PRESENTLY PENDING INTO TWO BILLS, FOR YOU TO MAKE
OFFICIAL WRITTEN REPRESENTATIONS TO THE U.S. ADMINISTRATION
(PREFERABLY TO KATZ) ALONG THE FOLLOWING LINES.

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INNER QUOTE THE AUSTRALIAN GOVERNMENT THANKS THE UNITED
STATES FOR THE ADVICE CONVEYED TO IT BY THE UNITED STATES
EMBASSY IN CANBERRA REGARDING THE BILL INTRODUCED BY
CONGRESSMAN UDALL AND SENATOR DECONCINI FOR THE DISPOSAL OF
TIN AND THE ACQUISITION OF COPPPER. THE AUSTRALIAN GOVERNMENT
IS PLEASED TO RECEIVE THE ASSURANCES CONTAINED IN THAT LETTER
IN REGARD TO CONSULTATION WITH TIN PRODUCING COUNTRIES ON
THE DISPOSAL PROGRAM AND WITH THE INTERNATIONAL TIN COUNCIL.
HOWEVER, THESE ASSURANCES RELATE TO ACTION AFTER THE BILL
BECOMES LAW. THERE ARE ASPECTS OF THE BILL WHICH CONCERN US
AND WHICH WE WISH TO BRING TO THE UNITED STATES' ATTENTION.
WE CONSIDER THAT CONGRESSMEN SHOULD BE AWARE OF THESE
CONCERNS BEFORE FINALIZING THE PROVISIONS OF THE BILL FOR
PRESENTATION TO CONGRESS. IN THIR REGARD OUR VIEW IS THAT
THE PROVISIONS OF ARTICLE 43 OF THE FIFTH INTERNATIONAL TIN
AGREEMENT ENVISAGES CONSULTATION WITH THE TIN COUNCIL AT ALL
PHASES OF HE DEVELOPMENT OF DISPOSAL PLAN FROM NON-
COMMERCIAL STOCKPILES.

IN
ER QUOTE ALTHOUGH THE BILL PROVIDES NO SPECIFIC TIME
PERIOD FOR THE DISPOSAL OF THE 45,000 LONG TONS OF TIN, THE

LINKING OF PURCHASES OF COPPER TO THE PROCEEDS FROM THE SALE
OF TIN AND THE PROVISION THAT PROCEEDS FROM INITIAL SALES IN
FISCAL 1978 AND 1979 BE PAID INTO THE TREASURY PLACES GREAT
PRESSURE FOR IMMEDIATE PLACEMENT OF LARGE QUANTITIES OF TIN
ON THE MARKET SO THAT FUNDS CAN BE OBTAINED TO PURCHASE
COPPER TO ACHIEVE THE BASIC OBJECTIVE OF REDUCING EXCESS

COPPER INVENTORIES. WE SEE THESE PROVISIONS THEREFORE AS
REMOVING FLEXIBILITY IN THE TIMING OF DISPOSALS AND
CONSEQUENTLY THE ABILITY TO AVOID MARKET DISRUPTION.

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ACTION EB-08

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C O R R E C T E D C O P Y (TEXT CORRECTED)

INNER QUOTE THE AUSTRALIAN GOVERNMENT WISHES TO MAKE CLEAR
THAT IT RECOGNIZES THE BENEFITS TO THE U.S. AND THE WORLD
COPPER INDUSTRY OF THE PROPOSED ACQUISITION OF COPPER FOR

THE STOCKPILE AND COMMENS THE INITIATIVE TO REDUCE THE EXCESS INVENTORIES OF COPPER. OUR CONCERN IS WITH THE TYING OF THE COPPER ACQUISITION TO THE PROPOSED TIN DISPOSALS.

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INNER QUOTE THE BILL AUTHORIZES THE RELEASE OF 45,000 TONS OF TIN AND THE LINKING OF TIN DISPOSALS TO THE COPPER ACQUISITIONS IN THE TERMS PROPOSED IN THE BILL WILL AT PRESENT PRICE LEVELS REQUIRE THE RELEASE OF THE WHOLE OF THAT AMOUNT IF THE ACQUISITION OF THE 225,000 SHORT TONS OF COPPER IS TO BE ACHEIVED. IF THE BILL WERE TO BECOME LAW SHORTLY, RELEASES OF 45,000 TONS OF TIN PLUS THE 5,000 TONS PROPOSED TO BE RELEASED TO THE TIN COUNCIL BUFFER STOCK WOULD MEAN THAT IN A PERIOD OF ABOUT 18 MONTHS AN AMOUNT OF TIN APPROXIMATELY DOUBLE THE ANTICIPATED SUPPLY DEFICIT FOR THE PERIOD WOULD BE PLACED ON THE MARKET. RELEASES OF THIS MAGNITUDE WOULD HAVE A DISASTROUS EFFECT ON THE MARKET AND THE WORLD TIN INDUSTRY. WE ARE DISTURBED THAT THE U.S. ADMINISTRATION IS LENDING ITS SUPPORT TO A MEASURE WHICH WE BELIEVE WILL HAVE A DISTRESSING EFFECT ON THE TIN MARKET AND WHICH WILL IMPAIR THE UNITED STATES ABILITY TO MEET ITS OBLIGATIONS UNDER ARTICLE 43 OF THE INTERNATIONAL TIN AGREEMENT.

INNER QUOTE WE RECOGNIZE, OF COURSE, THAT, IN VIEW OF THE TIN MINE SUPPLY DEFICIT, THEE IS A NEED FOR RELEASES AND STAND READY AT ANY TIME TO DISCUSS QUANTITY, TIMES OF RELEASE AND MEASURES NECESSARY TO AVOID DISRUPTION TO THE MARKET AND TO PROVIDE THE FLEXIBILITY TO ENABLE RELEASES TO BE REGULATED TO MEET CHANGING MARKET CONDITIONS.

INNER QUOTE IN THIS CONTEXT WE WOULD REMIND THE U. . AUTHORITIES OF THE DISRUPTIVE EFFECTS OF GSA STOCKPILE RELEASES IN 1973-1974. AS YOU ARE AWARE, THE TIN COUNCIL ON 19 JANUARY 1973 INTRODUCED EXPORT CONTROLS (19JAN. -19 NOV.) AFTER ACCUMULATING 12,504 TONNES IN THE BUFFER STOCK AS A RESULT OF DEPRESSED CONSUMPTION DURING THE COURSE OF 1972. THE U.S.A. THEREUPON DECIDED TO RELEASE TIN FROM ITS LIMITED OFFICIAL USE

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STOCKPILE FURTHER DEPRESSING THE PRICE. DESPITE REPRESENTATIONS FROM THE ITC, THE U.S.A. OFFERED TIN IN JUNE 1973 AS PART OF A DISPOSALS PROGRAM WHICH RELEASED SOME 42,000 TONS IN 1973 AND 1974 OF WHICH 10,000 TONS OF TIN WAS SURPLUS TO CONSUMPTION. THIS SURPLUS WAS A MAJOR FACTOR IN THE NEED TO

RE-INTRODUCE EXPORT CONTROLS (18 APRIL 1975 - 30 JUNE 1976).
IT IS EVIDENT THAT THE RESOURCES AT THE DISPOSAL OF THE
BUFFER STOCK MANAGER WOULD HAVE BEEN ADEQUATE TO DEAL WITH
THE SITUATION WITHOUT RESORT TO THESE EXPORT CONTROLS HAD
IT NOT BEEN NECESSARY TO PURCHASE THE SURPLUS 10,000 TONS.

INNER QUOTE THE REPORTED RECENT INITIATIVE OF THE SENATE
SUB-COMMITTEE ON MILITARY CONSTRUCTION AND STOCKPILES AIMED
AT CONSOLIDATING THE EIGHT STOCKPILE BILLS PRESENTLY PENDING
IN THE SENATE IS REPORTED AS PROPOSING THAT TIN RELEASES BE
REDUCED TO LEVELS CONSIDERED CERTAIN TO BE DISPOSED OF
WITHOUT MARKET DISRUPTION IN THE REMAINDER OF FISCAL 1978
AND FISCAL 1979 WITH APPARENTLY NO DIRECT RELATIONSHIP
BETWEEN SALES PROGRAMS. A BILL ALONG THESE LINES WOULD SEEM
TO US TO BE A STEP IN THE RIGHT DIRECTION ALTHOUGH IT NEEDS
TO BE RECOGNIZED THAT THIS COMMENT IS MADE WITHOUT ANY
KNOWLEDGE OF THE DETAILED PROVISIONS OF THE BILL. WE WOULD,
HOWEVER, EXPECT AND INDEED SEE A NEED FOR ANY DISPOSAL
PROGRAM TO BE FLEXIBLE AND CLOSELY MONITORED IN CONSULTATION
WITH THE ITC, AS REQUIRED UNDER THE AGREEMENT. END INNER AND
OUTER QUOTES.

ALSTON

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Message Attributes

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